

(d) *Performing the year-end analysis.* A year-end analysis is required for borrowers (except for Youth loans and loans flagged as having bankruptcy, foreclosure, or other action pending) the first year after an initial or subsequent loan, chattel subordination, or restructuring is received, borrowers who are financially distressed or delinquent, borrowers who have loans deferred, and borrowers who are receiving limited resource interest rates. All other borrowers (including flagged accounts) will receive a year-end analysis at the discretion and judgment of the Agency. However, at least every two years, the borrower will provide upon Agency request, a year-end balance sheet, actual financial performance, and a projected farm budget so that the borrower can be classified for graduation purposes in accordance with subpart F of part 1951. The year-end analysis should coincide with the borrower's farm budget planning period. The borrower will work with the Agency to:

(1) Complete the year-end analysis, whenever possible, within the 60-day period after completion of the borrower's business year or farm budget planning period.

(2) Complete and review the "actual" columns on the farm business plan and Form FmHA 1962-1, "Agreement for the Use of Proceeds/Release of Chattel Security," if applicable.

(3) Develop a farm business plan for the next production cycle in accordance with § 1924.56.

(4) Reach agreement on key management issues. Any such agreements will be documented for the borrower case file and signed by the borrower.

(e)

(e) *Annual review.* For all borrowers, the assessment described under this section will be reviewed on at least an annual basis to monitor progress. A meeting must be scheduled as soon as practicable to determine corrective options if: the borrower is, or expects to be, delinquent; the borrower is experiencing difficulties; or other significant changes have occurred. The year-end analysis under this section may be

treated as the required assessment review.

[61 FR 35922, July 9, 1996, as amended at 68 FR 7896, Feb. 18, 2003]

§ 1924.56 Farm business planning.

The automated Farm and Home Plan system is the primary tool used by the Agency to evaluate loan feasibility and prospects for achieving financial viability. Other manual or automated business planning systems may be used with the consent of the Agency.

(a) [Reserved]

(b) *Documentation and revision of plans.* Individuals must submit a farm business plan to the Agency, upon request, for loan approval and servicing purposes. An individual may request the assistance of the Agency official, as needed, in completing the plan. Farm business plans will be based only on accurate, verifiable information. If the Agency official and the individual cannot reach agreement, on the farm business plan, then the Agency will make loan approval and servicing determinations based on the Agency's separate, revised farm business plan. The individual will have the right to appeal any resulting adverse decision.

(1) Historical information will be used as a guide to evaluate the feasibility of projected farm business plans. Individuals must provide the Agency with their previous 5-year production history, if available. Positive and negative trends, mutually agreed upon changes and improvements, and current input prices, will be taken into consideration when arriving at reasonable projections.

(i) For individuals with less than a 5-year history, actual production records from an operation to be taken over by the individual will be considered, whenever available.

(ii) In the absence of the information listed in paragraph (b)(1)(i) of this section, other reliable data sources that may be used include: FSA Farm Programs (formerly Agriculture Stabilization and Conservation Service) actual yield records and county or State averages.

(iii) This paragraph applies when an accurate projection cannot be made because the individual's production history in any or all of the previous 5

years has been substantially affected by a disaster that has been declared by the President or designated by the Secretary of Agriculture. This paragraph also applies to those individuals who would have had a qualifying physical or production loss, as defined in § 1945.154(a), from such a disaster, but who were not located in a designated or declared disaster area.

(A) If the individual's disaster years yields are less than the county average yields, county average yields will be used for those years. If county average yields are not available, State average yields will be used.

(B) In calculating a baseline average yield, the individual may exclude the production year with the lowest actual or county average yield, providing the individual's yields were affected by disasters during at least 2 of the 5 years.

(2) Unit prices for agricultural commodities as published in the State supplement will generally be used. However, regional or county unit prices may be used when there are transportation costs or other significant factors that cause a difference in commodity prices within the State. Individuals who can provide reliable evidence that they will receive a premium price for a commodity will be allowed to use the higher price for farm planning. The determination of disaster years will be based on the 5-year history of disaster declarations or designations for all counties contained in the State supplement.

(3) When the Agency official and individual revise the farm business plan, the plan will be signed and initialed by both parties. Form FmHA 1962-1 (available in any Agency office) will be revised whenever significant changes occur during the year that will affect repayment ability. It is the individual's responsibility to notify the Agency of any necessary changes. If the changes would result in a major change in the operation, a completely new farm business plan must be developed. The individual and Agency official will initial and date revisions to the Form FmHA 1962-1.

(4) If the borrower and Agency cannot reach an agreement on revisions to the farm plan and an adverse decision results, the borrower may appeal. Dur-

ing an appeal, the Agency will make releases of normal income security for essential family living and farm operating expenses in accordance with § 1962.17. If the borrower refuses to execute Form FmHA 1962-1 as finally determined by the Agency after an appeal, the account will be serviced under § 1962.18. If the borrower does not appeal, the planned releases documented on Form FmHA 1962-1 are binding.

[61 FR 35923, July 9, 1996]

§ 1924.57 [Reserved]

§ 1924.58 Recordkeeping.

(a) All borrowers must have a recordkeeping system, which must be documented as part of the assessment under § 1924.55.

(b) The selected recordkeeping system must provide information similar to that contained in Forms FmHA 431-2, FmHA 432-1, "Farm Family Record Book," and FmHA 432-2, "Five Year Inventory Record." The recordkeeping system must enable borrowers to make informed management decisions and allow the Agency to render loan making and servicing decisions in accordance with Agency program regulations.

(c) Borrowers must maintain accurate records and submit financial information to the Agency when required. Failure to do so will result in the borrower's ineligibility for future Agency financing and loan servicing and may result in acceleration and collection action.

[61 FR 35924, July 9, 1996]

§ 1924.59 Supervision.

The Agency's supervision is based on the information and evaluation resulting from the assessment of the operation. The borrower is required to:

(a) Cooperate with the Agency and comply with all supervisory agreements, farm plans, and all other loan-related requirements.

(b) Promptly notify the Agency of any significant change in the business or family expenses or the development of problem situations.

(c) Maintain and protect the collateral for Agency loans and promptly report to the Agency any losses or other significant changes in the collateral.